

27 September 2021 – Neuss, Germany

## Rating Action / Update:

**Creditreform Rating has confirmed the unsolicited corporate issuer and issue ratings of Elisa Oyj at **BBB+**. The outlook remains **stable**.**

Creditreform Rating (CRA) has confirmed the unsolicited corporate issuer rating of Elisa Oyj as well as the unsolicited corporate issue rating of long-term local currency senior unsecured notes issued by Oyj at **BBB+**. The outlook remains **stable**.

Elisa Oyj (hereinafter also referred to as 'the Company' or 'Elisa') is an integrated fixed-line and mobile telecommunications and digital services Company which operates mainly in Finland and Estonia. The Company serves 2.8 million private, corporate, and public administration customers, and is the market leader in Finland in terms of mobile and fixed network subscriptions; in Estonia it is the second largest operator. Along with wireless, wireline telephony and broadband services, the Group is active in other internet and digital services such as pay TV, videoconferencing and provides solutions for automation of network management and operation for mobile operators, as well as IoT solutions for industry. In addition to its domestic and Estonian markets, the Company offers digital services internationally.

In 2020 the Company achieved revenues amounting to EUR 1,894.6 million (2019: EUR 1,843.5 million) and EAT of EUR 328.1 million (2019: EUR 303.2 million), with approximately 5,100 employees.

## Current relevant factors for the rating

The following considerations were of specific relevance for the rating assessment:

- Strong market and leading position in Finland
- Positive business development in 2020 and H1 2021
- Stable results of the financial ratio analysis
- Good access to financial markets
- Stable expectations for Elisa's business development in 2021
- Intense competition
- Strictly regulated market for telecommunication operators

## ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Elisa Oyj we have not identified any ESG factor with significant influence.

Nevertheless, we note positively that Elisa has slightly above average values overall in a sector comparison with regard to important ESG indicators for CO<sub>2</sub> emissions, energy and production, waste. By using renewable energy in its operations in Finland and Estonia, as well as offsetting emissions through a project in Uganda, the Company succeeded in becoming CO<sub>2</sub> neutral in 2020. In addition, as part of its climate change strategy, Elisa has set a target to reduce emissions from its own operations (Scope 1 and Scope 2) by 50% by 2025, as compared to 2016, as well as to reduce emissions related to travel and waste, as well as emissions from the supply chain (Scope 3) by 12%.

## Analysts

Natallia Berthold  
Lead Analyst  
N.Berthold@creditreform-rating.de

Holger Becker  
Co-Analyst  
H.Becker@creditreform-rating.de

Neuss, Germany

**ESG factors** are factors related to the environment, social issues, and governance. For more information, please see the "Regulatory requirements" section. CRA generally takes ESG-relevant factors into account when assessing a rating object, and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or outlook.

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

Our positive assessment of Elisa's climate protection measures is confirmed by a special report published by the Financial Times on 27 May 2021<sup>1</sup>. A report on the results of research on 4,000 European companies highlighted 300 companies that achieved the highest emissions intensity reductions between 2014 and 2019. According to the report, Elisa performed largely above average, and was thus among the ten leading companies.

In the social area, Elisa shows a high level of customer and employee satisfaction. The Company is also socially committed, and has taken extensive measures to prevent possible human rights violations along its supply chain. Elisa is also characterized by a good governance policy that takes ESG standards into account. It should be critically noted, however, that only 18% of the Company's board members are women.

Overall, we see Elisa as being solidly positioned with regard to ESG criteria, which, in view of the increasing sustainability requirements in the market, has a stabilizing effect on the rating.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

## Rating result

The current rating of **BBB+** attests Elisa Oyj a highly satisfactory level of creditworthiness, representing a low to medium default risk. The rating result is based on the strong profile of the Company's financial ratios, and a stable earnings capacity sufficient to cover the Company's investment and dividend payments. Elisa's proved access to financial markets, solid liquidity, controlled investment spending, and prudent financial policy underpin our rating assessment. We see it as positive that the Company's strategic goals include clear financial targets for maintaining a solid financial structure.

We take a critical view of the fact that both of the Company's key markets are already saturated and have a high penetration rate in both mobile telephony and broadband, thus limiting its growth potential. Intense competition on the Finnish telecommunications market, with its three major players, puts additional pressure on our rating.

## Outlook

The one-year outlook of the rating is **stable**, reflecting our expectation that Elisa will be able to maintain its position in the relevant markets due to its size and financial strength. We expect Elisa to develop according to plan for 2021, with stable earnings and consistently strong EBITDA. This outlook is based on the assumption of an overall stable economic situation in Finland and Estonia.

### Best-case scenario: **BBB+**

In our best-case scenario for one year, we assume a rating of **BBB+**. Despite its strong financial profile, we do not expect any significant growth due to the geographical concentration of Elisa as well as to competitive pressure.

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<sup>1</sup> [Europe's Climate Leaders 2021: interactive listing | Financial Times \(ft.com\)](#)

#### Worst-case scenario: BBB

In our worst-case scenario for one year, we assume a rating of BBB. This could be the case if the earnings capacity is significantly impaired by deteriorating market conditions or an increased need for investment combined with a substantial increase in debt.

### Business development and outlook

Despite the persistently challenging competitive situation, the Group showed positive development in revenue and earnings in the 2020 financial year. With revenue of EUR 1,894.6 million (2019: EUR 1,843.5 million), Elisa achieved EBITDA of EUR 683.9 million (2019: EUR 660.8 million), EBIT of EUR 407.7 million (2019: EUR 395.0 million) and an EAT of EUR 328.1 million (2019: EUR 303.2 million) in 2020. The growth in revenue (+ 2.8%) was mainly driven by the positive impact of the Polystar acquisition, the increase in digital and mobile services, as well as by equipment sales. By contrast, the decline in roaming and traditional fixed-line telecommunications services had a dampening effect. EBITDA rose by 3.5%, from EUR 660.8 million to EUR 683.9 million, mainly due to revenue growth and measures to improve productivity. Annual profit amounted to EUR 328.1 million, which corresponds to an increase of 8.2% compared to the previous year.

Table 1: Financials of Elisa Oyj (Group) | Source: Elisa Financial Statements 2020, standardized by CRA

Elisa Oyj Selected key figures of the financial statement analysis Basis: Consolidated Financial Statements of 31.12. (IFRS)	CRA standardized figures <sup>2</sup>	
	2019	2020
Revenue (million EUR)	1,843.5	1,894.6
EBITDA (million EUR)	660.8	683.9
EBIT (million EUR)	395.0	407.7
EAT (million EUR)	303.2	328.1
EAT after transfer (million EUR)	303.0	328.0
Total assets (million EUR)	2,242.3	2,445.8
Equity ratio (%)	26.9	25.1
Capital lock-up period (days)	38.2	37.4
Short-term capital lock-up (%)	15.7	18.3
Net total debt / EBITDA adj. (factor)	2.4	2.4
Ratio of interest expenses to total debt (%)	1.8	1.1
Return on Investment (%)	14.5	13.9

The Finnish telecommunications market is dominated by three network operators. Due to the competitive situation, it is difficult for telecom operators to retain their customer base and keep the termination rates under control. Nonetheless, Elisa managed to keep its market share among the telecom operators largely stable. Also, Elisa was the market leader in Finland in 2020, with a market share of 36%, followed by Telia and DNA with 32% and 23% respectively.

<sup>2</sup> For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally-generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt takes all balance sheet liabilities into account. Therefore, the key financial figures shown often deviate from the original values of the company.

Finland enjoys one of the highest mobile and broadband penetration rates in the world, and is a pioneer in adopting 5G technology. Elisa has operated a commercial 5G network since the beginning of 2019, since which time the 5G network has grown, currently covering 110 Finnish cities. The number of 5G subscriptions has reached almost 200,000. Further, the range of 5G devices has been expanded to over 50 models, making them the majority of cell phones currently sold. In June 2020, Elisa won an 800 MHz frequency license in the 26 GHz band in an auction to further expand its 5G network.

Capital expenditure of EUR 266 million in 2020 (2019: EUR 256 million) was mainly related to capacity and coverage expansion of 4G networks, as well as other network and IT investments. Investments in shares were mainly related to the camLine acquisition. In addition, leased assets accounted for EUR 21 million. With the acquisitions made in 2020, the Company has continued to implement its strategy for international growth in digital businesses. The stakes in the German cam-Line GmbH (100%), a software solution provider for the manufacturing industry, and CalcuQuote (56.6%), a US-based provider of supply chain software for electronics manufacturing services, add further strength to the growth of Elisa's industrial software business.

Over the past four years, Elisa has consistently demonstrated stable business development, with an appropriate capital structure and solid financial strength. As of the 2020 balance sheet date, the Company had an appropriate analytical equity ratio of 25.4% (2019: 26.9%) and a stable gearing ratio of 2.6 (2019: 2.6). The net total debt / EBITDA adj. ratio of 2.4 also remained unchanged compared to the previous year. Due to the increased EBIT and lower interest expenses, the Company was able to increase its EBIT interest coverage ratio significantly, from 13.8 to 20.6.

In the first half of 2021, Elisa showed positive business development (s. Table 2), as well as sufficient liquidity. As of 30 June 2021, the Company had cash and cash equivalents of EUR 84 million at its disposal. In addition, Elisa had the following financing arrangements: EUR 300 million in committed credit lines, which remained undrawn as of 30 June 2021; a commercial paper programme with a total volume of EUR 350 million, of which EUR 130 million had been drawn; and an EMTN programme with a total volume of EUR 1,500 million, of which EUR 900 million had been drawn. These sources, together with the expected annual funds from operating activities of around EUR 550 million to EUR 600 million, will cover Elisa's cash needs and investments of around EUR 230 million, as well as dividends of around EUR 313 million over the next year. However, the Group's generous dividend policy limits room for maneuver for extraordinary investments or substantial acquisitions, which dampens our rating assessment.

Table 2: The development of business of Elisa Oyj (Group) | Source: Elisa Half-Year Financial Report 2021

Elisa Oyj				
In million EUR	H1 2020	H1 2021	Δ	Δ %
Revenue	929.0	965.9	+36.9	+4.0
EBITDA	334.0	335.9	+1.9	+0.6
EBIT	199.8	201.6	+1.8	+0.9
EBT	191.5	195.7	+4.2	+2.2
EAT	157.0	160.8	+3.8	+2.4

Elisa expects stable business development for the 2021 financial year, with annual revenues, as well as the comparable EBITDA, remaining the same or coming in slightly above the level of the previous year. The Company's strict investment policy (12% of revenues) will be retained. Taking into account the Company's sufficient current liquidity and liquidity reserves, reliable cash flows,

the well-coordinated and, in our view, realistic investment plans, we consider Elisa's short-to-medium-term financial risks to be manageable and containable. Moreover, the Group enjoys a well-established market position and strong technological know-how, as well as an adequate capital structure, which should enable Elisa to pursue its strategic plan and facilitate moderate organic growth in the medium-term.

## Issue rating

### Issue rating details

The rating objects of this issue rating are exclusively the long-term senior unsecured issues, denominated in euros, issued by Elisa Oyj (issuer), which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

The notes have been issued under the EMTN Programme with its latest prospectus of 21 July 2021. This EMTN Programme amounts to EUR 1.5 billion. The notes and coupons under the EMTN Programme constitute direct, unconditional, unsubordinated, unsecured obligations of the Issuer, and rank at least pari passu among themselves and with all other present and future unsecured obligations of the issuer. Additionally, the notes benefit from a negative pledge provision, a change of control clause, and a cross default mechanism.

### Corporate issue rating result

We have provided the EUR debt securities, issued by Elisa Oyj, with a rating of **BBB+**. The rating is based on the corporate rating of Elisa Oyj. Other types of debt instruments or issues denominated in other currencies of the issuer have not been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

### Overview

Table 3: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date	Rating
Elisa Oyj (Issuer)	27.09.2021	BBB+ / stable
Long-term Local Currency (LC) Senior Unsecured Issues	27.09.2021	BBB+ / stable
Other	--	n.r.

Table 4: Overview of 2020 Euro Medium Term Note Programme | Source: Elisa Oyj, Base Prospectus dated 21 July 2021

Overview of 2021 EMTN Programme			
Volume	EUR 1,500,000,000	Maturity	Depending on the respective bond
Issuer	Elisa Oyj	Coupon	Depending on the respective bond
Arranger	Nordea Bank Abp	Currency	Depending on the respective bond
Credit enhancement	none	ISIN	Depending on the respective bond

All future LT LC senior unsecured notes issued by Elisa Oyj with similar conditions to the current EMTN Programme, denominated in euros and included in the list of ECB-eligible marketable assets will, until further notice, receive the same ratings as the current LT LC senior unsecured notes issued under the EMTN Programme. Notes issued under the Programme in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG. For the time being, other emission classes or programmes (such as commercial paper programme) and issues not denominated in euro will not be assessed.

## Appendix

### Rating history

The rating history is available under:

<https://www.creditreform-rating.de/en/ratings/published-ratings.html>

Table 5: Corporate issuer rating of Elisa Oyj | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	11.06.2019	27.06.2019	Withdrawal of the rating	BBB+ / stable

Table 6: LT LC senior unsecured issues by Elisa Oyj | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	11.06.2019	27.06.2019	Withdrawal of the rating	BBB+ / stable

### Regulatory requirements

The rating<sup>3</sup> was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

<sup>3</sup> In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

With Rated Entity or Related Third Party Participation	No
With access to Internal Documents	No
With Access to Management	No

The rating was conducted based on the following information.

List of documents
<b>Accounting and controlling</b>
<ul style="list-style-type: none"> <li>▪ Elisa annual report 2020</li> <li>▪ Elisa half-year financial report 2021</li> <li>▪ Elisa operational data Q2 2021</li> <li>▪ Analyst presentation material</li> </ul>
<b>Finance</b>
<ul style="list-style-type: none"> <li>▪ Elisa EMTN Base Prospectus dated 21 July 2021</li> <li>▪ Final terms of the outstanding notes</li> </ul>
<b>Additional documents</b>
<ul style="list-style-type: none"> <li>▪ Elisa responsibility report 2020</li> <li>▪ Press releases</li> </ul>

A management meeting did not take place within the framework of the rating process.

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
<a href="#">Corporate Ratings</a>	2.3	29.05.2019
<a href="#">Non-financial Corporate Issue Ratings</a>	1.0	October 2016
<a href="#">Rating Criteria and Definitions</a>	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Natallia Berthold	Lead-analyst	N.Berthold@creditreform-rating.de
Holger Becker	Analyst	H.Becker@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Philipp Beckmann	PAC	P.Beckmann@creditreform-rating.de

On 27 September 2021 the analysts presented the rating to the rating committee, and the rating was determined. The rating result was communicated to the Company on 27 September 2021. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring if changes occur in crucial assessment parameters.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

### ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

### Conflicts of interest

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

### Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

#### Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

#### Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments



There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the [ESMA website](#).

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

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Creditreform Rating AG

### Contact information

Creditreform Rating AG

Europadamm 2-6  
D-41460 Neuss

Phone: +49 (0) 2131 / 109-626  
Telefax: +49 (0) 2131 / 109-627

E-Mail: [info@creditreform-rating.de](mailto:info@creditreform-rating.de)  
Web: [www.creditreform-rating.de](http://www.creditreform-rating.de)

CEO: Dr. Michael Munsch  
Chairman of the Board: Michael Bruns

HR Neuss B 10522